

THE UNITED STATES - A CONSUMER ECONOMY

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We live in a consumer economy to an extent which is not generally realized even by those of us who give a good deal of thought to public affairs. Every living person is a consumer, regardless of the ways in which he fits into other categories in our economy. The group of consumers includes, in particular, members of the community who are not producers and are not dependents of producers in the ordinary sense. It includes every one of us, and especially widows and orphans living on investments and on the proceeds of social security, those who are in retirement and living on pensions, those who are dependent on public or private charity, those who are disabled by illness or other causes and their dependents, and, of course, all those who are living on the proceeds of life insurance.

All employees on fixed or relatively unchanging salaries, such as Government employees, of whom there are 6 million in the United States, must also be included in the group of preponderantly consumers.

There are thus many more consumers than there are producers plus dependents of producers in our economy.

The overriding economic interest of our own society, and its main emphasis, is really the interest of the consumer; and since every producer is a consumer as well, the "class" of consumers includes all the members of the community.

The genius of our society is that it primarily serves the individual, as contrasted with the Communist society which serves the state. With us, conscious choice determines the state of the economy. Consumption, except in war, is not as ordered by the state. Hence, the consideration and safeguarding of the interest of the consumer is properly a prime object of our policy.

Yet the interest of all of us as consumers is not regularly or comprehensively represented, as such, in the Federal Government or in the State Governments. It is well to examine the necessary effect of this fact.

The principal organized groups who make representations to the Congress, to administrative officers, and to the quasi-judicial tribunals which have such a large influence over our society are industry and organized labor. The underlying drive of all their activity, even though the interests of labor and management may be opposed in certain broad areas, is to increase the share of the national income which producers receive for their goods and services. Broadly speaking, the interest of all consumers -- and of these same management and labor interests when their individual

members are viewed as consumers - is to get the maximum in value for their money.

We do not find, as often as we should, consumer organizations communicating with their Congressmen and Senators, or appearing before Government officers and tribunals whose activities have a necessary effect on the prices of goods and services and the cost of living. Producers -- management and labor -- do make such representations on a systematic and substantial scale. The net overall effect of the representations which are made to government is thus largely to being forward considerations which are made to government is thus largely to bring forward considerations which are to the advantage of producers rather than consumers, and which thus have in general the effect of raising the price both of goods and services. As a result of this fact both Congress and, even more, Government officers and the administrative agencies make their decisions largely under circumstances which may be compared to the situation a court would face if it had to decide a civil case in which one of the parties defaulted and did not appear either in person or by counsel. The court would be deprived of the benefit of considering the arguments in favor of that party, and be compelled to rely on its own resources to bring them forth. While Congress and the administrative agencies have more substantial independent facilities for obtaining facts, the unbalance to which I have referred cannot by any means be entirely corrected. The net long-term effect of one-sided representation before government agencies of the interests primarily of producers as such thus tends to be inflationary. More active representation of the interest of consumers would have a stabilizing and thus a beneficial effect.

It is true that each one of us as a consumer does react to his economic environment. Just as we vote with ballots, so we vote on economic issues with our pocketbooks. We do not buy goods and services which we feel are over-priced or low in quality or otherwise unsuited to our taste. The recent experience of the automobile industry in suffering a loss of sales because of what many people felt was unsatisfactory design is a case in point. Yet the typical consumer probably does not adopt such a course of conduct as a matter of fixed broad policy because it is difficult for him to realize that, just as his vote for an elective office has a controlling effect with other similar votes, so does his economic vote in buying or not buying. This influence of the consumer on the economy, while it is ultimately decisive, is thus not actually exercised by the individual consumer in what might be called a resolute way.

On the community level, civic organizations are relatively more active and effective in connection with Government action affecting consumers than they are on the national level. What our consumer economy needs is more vocal representation of the interest of all of us as consumers by voluntary organizations.

Such organizations stand morally on particularly firm ground because they represent the general, not the special, interest.

Representation of consumer interests should take the form of appearance before and briefs submitted to quasi-judicial tribunals and other government agencies, as well as appearances before Congressional committees at hearings. Consumer organizations might well give consideration to the filing of briefs as friends of the court in legal cases which may have an effect on the interest of consumers at large.

There is one other area in which we ought to give thought to ways in which the Government can serve each of us in his specific aspect as a consumer. Substantial services are available in the form of books and pamphlets published by the various government agencies and departments for the assistance of the consumer in the area of home economics and related fields. We need to develop other ways in which the Government can more actively serve the interests of consumers. Certain statutory protective powers are established in order to guard the interests of consumers in relatively narrow areas.

The Food and Drug Administration, which is in the Department of Health, Education and Welfare, promotes the purity, regulates the standard of potency and guards the truthful and informative labeling of the commodities which are covered by the Federal Food, Drug and Cosmetic Act, the Tea Importation Act, the Import Milk Act, the Caustic Poison Act and the Filled Milk Act. The Federal Trade Commission, among other functions, safeguards the interest of the consumer by preventing the dissemination of false advertisements of food, drugs, cosmetics and related commodities; it attempts to promote free and fair competition among the producers and suppliers of goods and products; and it makes information available to the President, to the Congress and to the public.

The Federal Power Commission regulates utility rates, and the Securities and Exchange Commission exercises a variety of functions designed to prevent fraud in the issuance of stocks and to protect the interests of stockholders of corporations. The Federal Deposit Insurance Corporation insures savings bank accounts to a limited extent, as does the Federal Savings and Loan Insurance Corporation in the case of savings and loan associations. The interests of consumers are also served to some degree by the Agricultural Research Service of the Department of Agriculture, to which I shall refer in another connection.

But there is no congressional committee, and there is no single department or bureau in the executive branch of the Government corresponding to the Department of Labor, the Department of Commerce and the Department of Agriculture, whose function it is to consider primarily and systematically the problems arising out of the interest of the consumer. There was at one time a

Consumers' Advisory Board which was part of the National Recovery Administration, and there were other consumer agencies of limited scope during the nineteen-thirties, but these agencies disintegrated before and during World War II, and they never really became effective on a large scale.

The conscious gearing of our economic system to the consumer interests is not yet achieved. Basically, we need reorientation of our thinking.

It might well be possible, for example, to develop a program of consumer services comparable to those administered by the United States Department of Agriculture in serving farmers. The Agricultural Research Service conducts research on crops, farm and land management, livestock, and human nutrition as well as home economics, and it develops new uses for farm commodities. It administers Federal grant funds to experiment stations of land grant colleges. The Agricultural Marketing Services carries out research in order to expand markets for farm and food products and to cut marketing costs. Comparable functions are performed by the Farm Cooperative Service, the Foreign Agricultural Service, the Forest Service, and the Soil Conservation Service. The primary drive of some of the agencies I have mentioned is research, but other branches of the Department carry on educational functions designed to help farm families and others using the research findings and government aids. The Office of Information coordinates the furnishing of publications, of current information, and of various kinds of exhibits. The Agricultural Marketing Service administers various regulatory acts, marketing agreements and orders, and the food distribution and surplus removal programs, and it carries inspection and standardization work. Still other agencies are active not only in marketing but in the area of conservation and commodity stabilization as well as crop insurance, the extension of credit, and support of the rural electrification program.

Of course, it is true that while these are devoted primarily to the promotion of the interests of farmers many of them do indirectly help the consumer by improving the quality of the farm product. But we do not have anywhere in the Federal Government any comparable organized plan for the promotion of the interests of the consumer. We need systematic and vigorous thought devoted to such a program, in the interest of each of us as a consumer and of the economy as a whole.